



LCBO PURCHASE ORDER TERMS AND CONDITIONS

EFFECTIVE February 1, 2005

The following terms and conditions apply to, and form part of, each purchase order for the purchase of beverage alcohol products ("Purchase Order") issued by the Liquor Control Board of Ontario ("LCBO").

- 1. AGREEMENT TO PURCHASE:** The Supplier will be deemed to have entered into a binding agreement (the "Agreement") with the Liquor Control Board of Ontario (the "LCBO") upon: **(a)** signing and returning the acknowledgement copy of the Purchase Order; **(b)** giving the LCBO written notice of acceptance of the Purchase Order, or **(c)** supplying the products ordered in the Purchase Order. The Agreement is subject to all the terms and conditions contained in this document, which will supersede and take precedence over any conflicting provisions of any document submitted by the Supplier.
- 2. PRICE/QUANTITY:** The price payable by the LCBO shall not exceed the quoted price shown in the Purchase Order. The Supplier shall provide the LCBO with the benefit of any reduction in the price of any product ordered that is in effect prior to delivery to the LCBO. If "Ex Cellar" is specified, the price includes only the cost of the products, which shall be made available for shipment from the Supplier's warehouse. If "FOB (Port)" is specified, the price includes all charges (including, without limitation, customs clearance and transportation) up to and including loading on board vessel at the designated port of shipment. Unless otherwise specified in the Purchase Order, all references to monetary amounts shall be in Canadian Dollars.
The Supplier shall not change the specific quantity or bottle size ordered nor make any substitutions without the prior written consent of the LCBO. Requests to change quantities or bottle sizes or to make substitutions must be communicated, before shipping the products ordered, to the attention of the appropriate LCBO buyer. The LCBO will be deemed to have accepted the changes or substitutions proposed by the Supplier only upon the LCBO issuing a revised Purchase Order corresponding to the changes or substitutions proposed by the Supplier.
- 3. PAYMENT:** Unless other payment terms are specified in the Purchase Order, payment will be due thirty (30) days after the LCBO's receipt at its warehouse of the product(s) in acceptable condition. Payment will be made to the Supplier at the Supplier's address shown in the Purchase Order unless the Supplier provides the LCBO written instructions to make payment to a third party. Payment will be mailed unless the parties agree otherwise. All Supplier communications to the LCBO concerning payment should be directed to the following address: Liquor Control Board of Ontario, One Yonge Street, 13th floor, Toronto, Ontario, M5E 1E5, Attention: Finance Division, Accounts Payable, Department #884.
- 4. INSPECTION OF PRODUCT:** All product(s) ordered shall be subject to inspection and acceptance by the LCBO. Such acceptance will be given within a reasonable time after receipt of the products at the LCBO's warehouse, if the products are in satisfactory condition as described herein.
- 5. UNSATISFACTORY PRODUCT:** If, at any time before or after paying for the product(s), the LCBO determines that all or any part of a shipment of any product(s) is unsatisfactory in that such product(s) **(a)** is not of merchantable quality or is defective in any manner; **(b)** does not satisfy the provisions of any applicable law of Ontario or Canada; **(c)** does not comply with any federal or provincial standards established for products of that description; **(d)** does not match the sample of the same product(s) previously submitted to and approved by the LCBO; **(e)** does not match the quality of the same product(s) previously supplied by the Supplier to the LCBO; **(f)** is delivered after the date specified for delivery in the Purchase Order; or **(g)** does not otherwise comply with the requirements of the Agreement, then the LCBO may, in addition to any other remedies available at law or in equity, upon written notification to the Supplier: **(i)** refuse and return to the Supplier, at the Supplier's risk and expense, all or any portion of the shipment that is unsatisfactory; or **(ii)** refuse any portion of the shipment which is unsatisfactory and, with the Supplier's approval, dispose of same at the Supplier's expense; provided that where the LCBO exercises any of such remedies, the Supplier shall fully indemnify the LCBO for all costs including, without limitation, the purchase price of the product(s) and the freight expenses incurred in acquiring and returning the product(s) or any portion thereof.
- 6. CANCELLATION OF PURCHASE ORDER:** The LCBO reserves the right to cancel the Agreement in whole or in part at any time without liability and at the Supplier's expense and risk: **(a)** upon written notice to the Supplier, where the shipment or any part thereof is unsatisfactory within the meaning of Section 5; **(b)** by giving fifteen (15) days written notice to the Supplier, where, for any reason beyond the control of the LCBO including, without limitation, any reason relating to the marketing of the product(s), the LCBO is unable to complete the purchase of the product; **(c)** upon written notice to the Supplier where the Supplier has failed to comply with any provision of the Agreement including failure to adhere to the provisions of the LCBO's Product Management Procedures as published from time to time, or **(d)** upon written notice to the Supplier where any product(s) has been ordered but has not yet been delivered to the LCBO's carrier.
Notice of cancellation may be given by fax, mail or personal delivery.
- 7. LCBO'S PRODUCT MANAGEMENT PROCEDURES:** The Supplier must at all times comply with the provisions of the LCBO's Product Management Procedures as amended from time to time, relating to the product(s) ordered, which shall form part of the Agreement, but such Product Management Procedures shall not limit the rights and remedies of the LCBO contained herein. A copy of such Product Management Procedures may be obtained from the LCBO upon request in writing.
- 8. NO PRICE DISCRIMINATION:** The Supplier shall not sell any product(s) ordered to the LCBO at a price (exclusive of taxes, duties and freight) which is higher than the price at which the product, in the same quantity, is being sold by the Supplier to another government liquor board or government liquor purchasing body in Canada; nor shall it sell any product(s) to the LCBO upon terms and conditions respecting sale or delivery which are less advantageous than those offered to any other government liquor boards or government liquor purchasing bodies in Canada; nor shall it in any other way discriminate against the LCBO with respect to the sale of the product(s) ordered or any portion thereof. Should the Supplier breach this provision, it shall pay to the LCBO on demand an amount equal to the difference between any amount(s) paid by the LCBO to acquire the product(s) which is in excess of the amount(s) paid by any other government liquor board or government purchasing body in Canada to acquire such product(s).

LCBO Purchase Order Terms And Conditions Continued

9. **TITLE:** Title to and risk of the product(s) shall pass to the LCBO upon acceptance thereof by the LCBO but this provision shall not limit the LCBO's rights and remedies under the Agreement. The Supplier will procure all necessary export permits or licenses at the Supplier's expense.
10. **INDEMNITY:** The Supplier shall indemnify the LCBO, its customers, agents and other persons it authorizes to sell the product(s) against all liability, loss, damages, including consequential damages, and expenses of every kind (including, without limitation, legal fees) arising in any manner from its breach of any provision of the Agreement or from any defect with respect to the product(s), irrespective of the time when same is discovered.
11. **WARRANTIES:** The Supplier warrants that: (a) the products are of good and merchantable quality; (b) the products are fit for the purposes for which the products are intended to be used; (c) the products are transferred to the LCBO free and clear of liens, encumbrances and rights of others.
The foregoing warranties are in addition to and shall not derogate from, any express warranty of the Supplier or any other right or remedy which the LCBO may have under applicable law.
12. **ASSIGNMENT:** The Agreement and the rights and obligations thereunder may not be assigned, subcontracted, transferred or ceded by operation of law or otherwise without the consent of the LCBO which may be withheld in its sole discretion.
13. **SET-OFF:** Should the Supplier fail to pay or refund the LCBO any amounts owing by it pursuant to or in connection with the Agreement, when demanded by the LCBO, the LCBO may set-off such amounts against monies owed by the LCBO to the Supplier for other orders for product(s) which it may place with the Supplier.
14. **TIME OF ESSENCE:** Time shall be of the essence with respect to this Agreement.
15. **TRADEMARK, ETC. INFRINGEMENT:** The Supplier will be responsible for any infringement of any trademark, patent, industrial design or copyright arising out of the purchase of the products by the LCBO hereunder, and agrees to indemnify and save harmless the LCBO, its customers, agents and other persons it authorizes to sell the product(s) from and against all damages and expenses arising therefrom.
16. **APPLICABLE LAW:** The Agreement shall be governed by the laws of Ontario and Canada, excluding the United Nations Convention on Contracts for the International Sale of Goods. Any legal proceeding relating to the Agreement shall be submitted to the exclusive jurisdiction of the Courts of the Province of Ontario, Canada.
17. **REMEDIES CUMULATIVE:** The provisions of the Agreement, and the rights and remedies of the parties under the Agreement are cumulative and are without prejudice and in addition to any rights or remedies a party may have at law or in equity; no exercise by a party of any one right or remedy under the Agreement, or at law or in equity, shall operate so as to hinder or prevent the exercise by it of any other right or remedy. No waiver of a breach of any provision herein shall constitute a waiver of any other breach of such provision.
18. **ENGLISH LANGUAGE:** The parties hereto confirm their desire that the Agreement, along with all other documents including all notices relating hereto, be written in English language. Les parties aux présentes confirment leur volonté que cette convention de même que tous les documents, y compris tout avis, s'y rattachant, soient rédigés en anglais.
19. **PACKAGING AND LABELLING (PRE-PACKAGED PRODUCTS):** All products must be packaged in shipping containers (cartons/trays) which meet or exceed the appropriate requirements established under the LCBO's Product Packaging Standards and the Canadian Association of Liquor Jurisdictions' Product Identification Standards for use in the Distribution of Beverage Alcohol, as published from time to time. These standards prescribe minimum requirements for package design, strength and construction, in addition to applicable mandatory markings (including without limitation, U.P.C., shipping containers, EAN bar coding and labelling and standards for tamper evident packaging). All products must conform to the packaging requirements outlined in the LCBO's Product Management Procedures published from time to time. Shipping containers must be sealed in a manner that will plainly show any evidence of tampering. No hay, straw or other fodder packing may be used in a shipment to Ontario.
20. **BULK ALCOHOL:** Shipments of bulk alcohol must be accompanied by a gauge sheet showing the contents of each cask in litres, the net tare and gross weights and the percentage of absolute alcohol by volume. Percentage of obscuration is also to be shown for liquors only.
21. **ADVERTISING MATTER, ETC.:** Advertising matter or novelties of any sort must not be enclosed in cases or attached to bottles (excluding approved neck tags) or shipped in LCBO containers. Unsolicited shipment of non-alcohol items in LCBO containers is prohibited.
22. **SHIPPING DOCUMENTATION:** The Supplier shall provide shipping documentation for the products ("Shipping Documents") for each shipment, including without limitation, a Bill of Lading, Canada Customs Invoice and a Certificate of Origin and any other documents required to support a claim (where applicable) for preferred tariff treatment under any applicable international trade agreement. The Supplier shall ensure that all Shipping Documents are fully and accurately completed and are delivered to the carrier or freight forwarder at the time the products are shipped.
23. **SHIPPING PALLET PATTERN:** If a shipping pallet pattern is designated in the Purchase Order, then the Supplier shall ship in the pallet configuration shown (cases per tier x number of tiers per pallet).
24. **TYPE:** If a transportation platform type is designated in the Purchase Order, then the Supplier shall load the products according to such designation. "Type" refers to the platform to be used to transport products, where "C" means clamp loaded, "P" means pallet loaded and "Sn" means slip sheet loaded, where "n" refers to the number of tiers between slip sheets.